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ABSTRACT

The Parents' Confidential Statement (PCS) of the College Scholarship Service is designed to provide the aid administrator with the information necessary to make judgments on who receives aid. This booklet is designed to help aid administrators who wish to verify the information parents provide in support of the financial aid applications for their children. The primary focus is on the use of federal income tax returns: how to get them, and what to do when discrepancies occur. Some suggestions of what to do when Income Tax Returns are not submitted are also given. (JMF)

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CSS

Verifying Parents' Financial Information: A Guide for Financial Aid Administrators

Robert K. Hage

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College Scholarship Service of the College Entrance Examination Board

The College Scholarship Service (CSS) is an activity of the College Entrance Examination Board, concerned with improving equal educational opportunity. The CSS through the determination of financial need assists in the equitable distribution of financial assistance to students. Its services are offered to students and their parents, to secondary schools, to noncollegiate sponsors of financial aid programs, and to all institutions of postsecondary education. Operational activities for the College Scholarship Service are performed by Educational Testing Service.

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Foreword

In recent years there has been growing concern among aid administrators about the accuracy of financial information reported by families who seek assistance with college costs. Acting on this concern, many aid administrators have instituted some form of verification procedures. This publication is intended to be a guide for those financial aid administrators who wish to use income tax returns to verify information submitted on CSS need analysis forms. It was commissioned by the CSS Committee on Need Assessment Procedures and was written by Robert K. Hage.

Bob Hage needs no introduction to seasoned financial aid administrators, but for those who don't know him, the CSS is pleased to introduce him. A Phi Beta Kappa graduate of Dartmouth College, Mr. Hage has served his alma mater since 1947, including 22 years as its director of financial aid (or the position's earlier equivalent). The student financial aid field has long benefited from his multiple talents -- as author, educator, consultant, counselor, and councilor. Bob's relationship with the College Board has been particularly noteworthy -- two terms as a member of the CSS Committee on Need Assessment Procedures, plus a term as its chairman; a member of the CSS Council; and a member of the Board of Trustees. Although semiretired, Mr. Hage continues to serve as Special Assistant to the Treasurer at Dartmouth and as a consultant to the CSS and others in financial aid matters.

The CSS is pleased to publish this booklet. Because it draws on Bob Hage's broad experience in the field, we believe its guidance will prove useful to all practitioners in the profession.

Joe Paul Case, Associate Director
College Scholarship Service

Introduction

The CSS system is designed to treat cases equitably, but the judgment of the financial aid administrator is indispensable. This judgment is based on experience in dealing with families of all types and their individual problems, as well as other information available to the administrator. The financial aid administrator must always be the final authority in any system of need analysis.

-- CSS Need Analysis: Theory and Computation Procedures (1976)

Nowhere is the aid administrator's judgment more important than in assessing the reliability of the information upon which decisions must be made that result in the expenditure of large sums of institutional or federal funds. Because of aid administrators' interest in insuring that data used in determining need are correct, the CSS has commissioned this booklet for the purpose of helping aid administrators who wish to verify information parents provide in support of financial aid applications for their children. Although several ways to verify parental information are described here, the primary focus is on the use of federal income tax returns: how to get them, how to analyze them, and what to do when discrepancies occur.

The emphasis in the pages that follow is on verification, by means of Internal Revenue Service Form 1040, of data submitted on the Parents' Confidental Statement of the College Scholarship Service. But the basic procedures described are applicable to verifying other source documents, such as the Financial Aid Form of the CSS, and to using IRS Form 1040A for the comparisons. The Appendix to this publication provides information that should be helpful if forms other than the PCS and the IRS Form 1040 are to be used in the verification process.

All PCSs could be verified centrally through the CSS before need is analyzed, but such a procedure is not feasible. Many families do not complete their tax returns for the "base year" (the year on which need analysis is based) prior to filing freshman PCSs. There are, also, legal questions about the risks involved in obtaining income tax returns and maintaining custody of them, as well as in the possibility of unauthorized disclosure of tax information that must be fully explored. And, finally, central collection of income tax returns from nearly two million CSS filers would involve extra work and expense for parents, colleges, and the CSS on behalf of those applicants who for one reason or another do not qualify for aid.

Because of the difficulties inherent in central verification, many institutions have assumed responsibility for verification. The College Scholarship Service has appointed an Ad Hoc Committee on IRS Verification to examine what steps should be taken by the CSS to assist in the collection of accurate data. Acknowledgment is hereby given to the members of that committee in the preparation of this publication, in particular Grant Curtis of Tufts University and Joseph Russo of Genesee Community College, as well as to members of the CSS staff and to those who have written on this subject and whose articles are referred to in the following text.

Why Verify Information Reported to the CSS?

When the College Scholarship Service was founded in 1954, colleges and universities were distributing their relatively meager financial aid resources according to many different standards. Even when they professed to award aid only to needy students, the information on which they relied in making decisions was often

sketchy and incomplete. It was not uncommon to inquire only about family size and income. At least one major university made its judgments of need on the basis of the father's occupation, claiming that it would be "prying" to do otherwise.

The advent of the College Scholarship Service was a major step in bringing order out of chaos. The first Parents' Confidential Statement -- quite simple by today's standards -- not only asked for more information than most colleges were regularly obtaining but also provided assurance that the same information was being shared with others. For many years financial aid administrators believed that they were getting accurate information from the great majority of parents of applicants and that they could detect misrepresentation or error on the part of the others. A number of years ago, at one of the first CSS meetings where the possibility of using income tax returns to verify reported data was raised, one experienced aid officer said he thought families would be more likely to give accurate information to colleges than to the government!

Was he naive, or have times changed?

Evidence is mounting that the information being submitted to need analysis services and through them to the colleges does not have the degree of accuracy once assumed. Many colleges and universities have in recent years verified data submitted on the PCS and recalculated financial need when necessary. The result has been savings of many thousands of dollars of aid each year -- aid that has been redirected to students with demonstrated need.

The most significant recent study on the reliability of information submitted by parents was made by Bowman et al.[1] and was based on a sample of some 10,220 families who submitted Parents' Confidential Statements during the 1974-75 processing

year (for 1975-76 awards). The first page of IRS Form 1040 or 1040A was obtained directly from IRS for 85 percent of the sample, and eight specific items were checked against comparable items on the PCS. For 22.2 percent of the cases studied, the IRS-reported income alone would have produced a family contribution higher than that produced by the PCS information by $250 or more. (In 6.6 percent of the cases, the IRS-reported information would have resulted in a contribution that was less by $250 or more.)

A comparable study by Diegnau[2] at the California State University, Long Beach, showed that in 37.4 percent of a sample of 436 families, the estimated parental contribution was increased by more then $100.

It should be clear to all that discrepancies do not necessarily result from intentional deception on the part of parents -- although some of that is unearthed in verification procedures. One important reason for differences in information reported to the CSS and to the IRS for the same calendar year is the timing of the completion of the forms. Often the PCS is completed before a family has begun working on its federal income tax return, and thus the family must estimate many entries. (That estimating in advance tends to be pessimistic is a fact of life, especially when it involves year-end bonuses.) Both Bowman and Diegnau, already cited, analyzed their findings on the basis of the dates the PCS and IRS forms were filed and showed conclusively that the comparability of the two documents is greatly enhanced if the PCS is completed after the IRS form. There is also the possibility that parents may interpret PCS and IRS instructions in somewhat different ways. Diegnau gives one example:

A divorced parent with custody of a child might be precluded from claiming the child as a tax dependent on the IRS form because of an agreement made as part of the divorce but would

consider that child as a dependent according to the instructions on the PCS.[3]

But whatever the reason for discrepancies -- whether misrepresentation, timing, interpretation, confusion, or simple error -- the financial aid administrator has a responsibility to discover them when it is reasonably possible to do so.

It is easy to put verification "on the back burner" in an already overburdened financial aid office. But the promise of a more equitable distribution of financial aid funds and the potential savings of institutional and federal resources should put systematic verification high on any aid office's priority list.

In making a case for verification of parental information, it should be said that it is generally well regarded by students, parents, alumni, and donors. Such a system virtually ends the complaint heard in many financial aid offices: "My parents filled the form out right, but I know that others are ripping you off."

The question of verification has received greater attention from aid administrators in recent years. Indeed, the National Task Force on Student Aid Problems, chaired by Francis Keppel, in its Final Report recommended:

(1) That awarding agencies and institutions be strongly urged to verify appropriate financial data for the current year by use of state or federal tax statements.

(2) That need analysis services and state agencies which serve as processors provide extensive edit checks and diagnostic statements to financial aid officers to help them identify those applications which may need careful attention and follow-up for verification of data.

(3) That all agencies and institutions support the verification process by exchanging information appropriate to the administration of student aid. Legislatures should be urged to

oppose laws that will limit this exchange. Laws should be passed to permit public agencies not directly involved with financial aid administration (e.g., state and local tax bureaus) to provide agencies and institutions with verification information.

(4) That applications for financial assistance beyond a student's initial year of postsecondary education should be based on and filed after the base year tax forms are completed.

(5) That the current efforts of the services to develop procedures and systems of verification and validation be continued and expanded as appropriate means of addressing these issues.[4]

Verification Sources

As stated in the introduction, the chief purpose of this booklet is to serve as a guide to financial aid administrators in verifying information that families furnish in the PCS. The remaining chapters deal exclusively with ways in which income tax returns can be used to do this. Tax returns are by far the best way to verify information families have provided and are available to aid administrators who wish to use them, when they have been authorized by parents to do so.

But there are other verification methods that may be used along with the federal income tax reports or when such reports are for some reason not available.

The earliest method of verification, still used by some aid administrators, is the list of references that many colleges request on their aid application forms. Generally such references are contacted only when the information provided by the parents raises real questions. Although responses from the references may often be less than helpful, many aid administrators feel that the required listing of names may deter parents from providing incorrect information.

Financial aid application forms that many colleges require in addition to the PCS can be used to verify certain information provided on the PCS -- or at least to raise questions that will lead to further checking. Although it is not desirable to ask for too much duplicate information, it has been found helpful to inquire about parents' employment, about the dependency status and school attendance (especially graduate school) of the applicant's siblings, and about other sources of assistance the student may have, such as outside scholarships, veterans' benefits, or social security payments. Space may be left on the institutional aid application for the student to report any changes in family circumstances after the PCS was filed. Such information often amplifies the aid administrator's perception. For example, it is not uncommon for an applicant to indicate that the mother is working part time, even though the PCS lists her as a "housewife"; or to call the father a "contractor" when the PCS lists him as a "carpenter." The educational and dependency status of siblings often comes through more clearly on the student's own application form. In addition, the student can be asked to report past savings and scholarships from outside sources.

Information on -- or at least clues to -- a family's financial situation can come from other material sent routinely to the financial aid office. For example, parental income reported on a Guaranteed Student Loan application should be compared with that reported on the PCS. Similarly, if it is difficult to reconcile a state scholarship award with the PCS data, further questions should be asked. If a student gets an outside scholarship supposedly computed on the basis of need that appears to be out of line with reported information, a red flag should be raised. If the Basic Grant eligibility index and the Student Eligibility Report indicate

a family situation substantially different from that shown on the PCS, additional investigation may be necessary.

The use of credit bureaus is not so widespread as it was some years ago, but it is still a possibility if a financial aid administrator has doubts about the information provided on the PCS, especially concerning family-owned businesses.

Alternative sources of tax data may also be available. Some states that tax incomes have provisions similar to those of the federal government for releasing copies of income tax returns with the approval of the filer. However, there seems to be little reason to go to this source if federal tax returns are available.

When federal income tax returns are not available -- and especially when none has been filed -- parents may be asked for copies of their W-2 forms, employer withholding statements, social security records, welfare documents, or other materials to substantiate their reported data.

Nevertheless, the single best source of information remains the federal income tax return. This should be the financial aid administrator's primary tool in reviewing the accuracy of the information submitted on the PCS.

Obtaining a Copy of the Income Tax Return[5]

Once a college has decided to use federal income tax returns to verify information on the Parents' Confidential Statement, a number of questions must be raised and answered.

What to Ask for?

The first page of the IRS 1040 for the year preceding the academic year for which the PCS is filed should contain most information

needed to verify reported data in the majority of cases. Most colleges request and use only that page. The following information can be verified by means of page 1:

- The filer's status (married filing joint return, unmarried head of household, etc.) -- Items 1-5
- The names and number of dependent children -- Item 6b
- The names, number, and relationship of other dependents -- Items 6c, 7a, and 7b
- Income from wages, salaries, and tips (no distinction is made, however, between father's and mother's earnings) -- Item 9
- Income from dividends and interest -- Items 10 and 11
- Other taxable income -- Item 12
- Total tax for the year -- Item 20

Some colleges routinely request additional pages of the IRS 1040:

- Page 2 -- to get details on income other than wages, dividends and interest and on adjustments to income (Part I and Part II).
- Schedule A -- to verify medical and dental expenses, state and local taxes, alimony paid, etc., and to compare property taxes and interest paid on mortgages with the reported home value.
- Schedule B -- to review income from dividends and interest.

Others request that families send copies of the entire form as filed with IRS. This is done especially when families file additional schedules or have a complicated financial picture that may require careful analysis.

In general, however, the first page only is requested initially, and the college reserves the right to ask for additional pages of the tax return if they are deemed necessary later.

Ideally, the copy of the income tax return should come directly from the Internal Revenue Service at the request of the parent. IRS Form 4506 or a similar form (see Figure 1) may be used to authorize transmittal of a photocopy of the parents' tax

return directly to the college. The charge is currently $1 per page ($2 if "certified to be a true copy" by IRS, but that certification hardly seems necessary since the $1 copies come directly from IRS). However, it often takes several months to obtain tax return copies directly from IRS. Thus, many colleges ask families to send copies of tax returns directly to them -- often with a signed copy of the IRS Form 4506, which can be used to obtain official copies of individual returns or a random sample of all returns.

Recently the College Scholarship Service conducted a study[6] to compare copies of IRS 1040s submitted directly by parents with those provided by the IRS. In 202 of the 204 cases studied, the adjusted gross income on the "direct" 1040 was identical with that on the 1040 received from the IRS. In the other two cases, one showed more and one showed less income on the "direct" report.

Figure 1. Parents' Authorization

This form was designed to obtain authorization from parents for release of their U.S. income tax return to the CSS for studies of the accuracy of data used in need analysis. The information and signatures requested in the form are required by the IRS before a photocopy of the parents' tax return is released.

To the Parents or Guardian

You, the parents or guardian whose financial situation is being reported on this PCS, must complete this authorization *or* check the box below before mailing the PCS to the CSS. If you are required to file a 1976 return, be certain to provide all requested information and to sign and date the authorization. If you are not required to file a 1976 return, leave the authorization blank and check here. ——————▶ ☐

Do not detach the authorization from this page.

PARENTS' AUTHORIZATION

for CSS to obtain a copy of 1976 U.S. individual income tax return

NAMES AND ADDRESS OF TAXPAYERS AS SHOWN OR TO BE SHOWN ON RETURN:	SOCIAL SECURITY OR EMPLOYER IDENTIFICATION NUMBER:	FOR IRS USE ONLY
	INTERNAL REVENUE OFFICE WHERE RETURN WAS OR WILL BE FILED:	
SIGNATURES OF TAXPAYERS:	DATE:	

Some colleges ask to have copies of income tax returns notarized before being submitted directly to them. Notarization may possibly discourage dishonesty, but it merely confirms that the signatures are genuine and not that the information on the return is correct.

For Which Students?

The chief reason for verification is the equitable distribution of financial aid. As a practical matter, some colleges have in the past confined their verification activity to applicants receiving scholarship or grant assistance. Because of the aid administrator's role as a steward of public monies, however, it is equally important to verify information received from parents of aid applicants who receive only loans or campus employment based on need.

Because of the workload involved, some colleges have opted for requiring IRS information from only a random sample of the parents of financial aid recipients. Sampling serves little purpose, however. It may have a slight effect on encouraging accuracy if families are made aware of the sampling procedure in advance, but it does not insure equity among awards or optimal use of aid monies.

A somewhat better case can be made for requiring IRS reports on a selective basis. Rutter and Wickstrom[7] selected certain criteria identified as "potential indicators of highly inaccurate parental income" and compared information reported to the CSS and the IRS. Although they found a higher incidence of discrepancy in the selected cases than in cases without these indicators, they wrote that "the findings do not conclusively show that use of these seven characteristics identifies and isolates an

acceptable majority of those parents who need not be required to provide income tax verification." They estimated that "a system which would identify 85-95 percent of the errors through collection of less than 40 percent of the parents' 1040s would be a valid method of selection...." Further research is needed to achieve this objective.

Using parental income alone as a basis for determining which PCSs to verify is not likely to prove of value, for errors are spread fairly evenly over the entire income spectrum.[8] Naturally, errors among families with higher incomes have a greater effect on the size of the financial aid award.

Assuming that random sampling and selective verification have been discarded, which applicants should verification be required for? It is recommended that verification be required annually of the parents of all students receiving aid based on need. If not all students, then certainly it should be required of all entering students receiving such aid because PCSs for entering students are more likely to be completed before the income tax returns are filed. In addition, this has the effect of alerting families to the need for providing accurate data. One additional request for IRS forms -- perhaps at the beginning of the junior year -- should be a minimum requirement.

If tax returns are not required of every aid recipient every year, financial aid administrators should not be hesitant in asking for returns in individual cases if questions arise, especially if one year's PCS contrasts inexplicably with another's.

Because this booklet is concerned primarily with the Parents' Confidential Statement, the foregoing has referred only to the parents of dependent students. The need for verification applies

equally to independent students. Students filing a Financial Aid Form (FAF) may be required to submit copies of their own income tax returns. This requirement is especially important for students who are married. Tax returns can verify a spouse's earnings and may be used to review dividend and interest figures to determine whether any assets may not have been taken into account. Of course, if separate returns are filed by the independent student and spouse, copies should be required for both filers. In addition, since need analysis for independent students is based on estimated-year income, it may be necessary to request copies of tax returns or other income verifying information during the academic year of the award.

It may likewise be appropriate to request copies of page 1 of parents' IRS 1040 forms for those applicants whose independent status may be questioned. Because dependents are listed by name on the income tax return, the question of a student's dependency status can clearly be resolved.

When to Ask?

The possibility of requiring verification of data reported to the CSS with income tax returns should not be sprung unexpectedly on parents. The College Scholarship Service already alerts families to this possibility. In signing the PCS, parents agree that "to verify information reported in this form, we will, on request provide to the CSS or any of the named recipients, an official photostatic copy of our latest state or U.S. income tax return." In addition, PCS filers are asked to sign an authorization for the CSS -- but not others -- to obtain a copy of the base year individual income tax return.

But additional notice should be given. Colleges should advise families, in advance, of their own verification procedures. The institution's description of financial aid procedures, general bulletin, and instructions accompanying financial aid applications should clearly state the college's practice. If the tax returns are not received before making awards, students should be advised that awards are subject to change if verification procedures result in different calculations of need.

There are two points in the financial aid process at which income tax returns can be requested from the parents of entering students. Verification can be done at either or both times.

A copy of the most recently filed tax return can be required before any action is taken on an application for aid. In many cases this return will not verify the information for the year on which the need analysis is based, but it does give the financial aid administrator an opportunity to check the accuracy of information recorded for the first of the three years reported on the PCS. This requirement can have an effect on the care with which parents report information in subsequent years. In addition, it can alert the financial aid administrator to problems that may need to be solved before aid is first committed. The principal disadvantage of this procedure is that it requires families to submit a tax return even though the child may not be admitted, or may not qualify for aid on the basis of need or other criteria, or may not enroll if admitted. The burden on parents and colleges is not insignificant.

Or, a copy of the base year tax report can be required after the student has been admitted. The verification procedure occurs preferably after April 15. This timing limits the requests to a minimum, and the aid administrator receives the latest possible

information on which to review awards and make adjustments, if necessary.

For returning students, the IRS 1040 for the year immediately preceding the academic year, can be requested at the time renewal applications are filed. Notice of this requirement should accompany renewal materials. In this case, aid applications for upperclassmen should not be acted on until both the PCS and the IRS 1040 have been received.

Comparing the PCS with Income Tax Returns

Before suggesting ways to compare information submitted to the CSS with that given to the IRS, it is important to recognize that income tax returns do have limitations in the verification process. The returns do not enable aid administrators to check on all items that are taken into account in analyzing need. For example, the IRS 1040:

- cannot be used to verify nontaxable income -- social security and certain other retirement or survivors' benefits, veterans' benefits, welfare payments, unemployment benefits, interest income on tax-free bonds, housing and subsistence allowances, gifts, inheritances, bequests, and so forth.
- cannot be used to verify the value of home, other real estate, investments and savings -- although it may provide some indication of the value of these items.
- does not give detailed information about the value of businesses or farms.
- does not indicate the amount of outstanding debts.
- does not clearly show the parents' marital status.
- does not indicate how many family members are pursuing postsecondary education or what year they are in school.

Although many IRS 1040 items are readily comparable to PCS-reported data, timing may be a problem. If a family files the

Parents' Confidential Statement before it prepares its income tax return, some of the PCS base-year information may be estimated.

Even with these limitations, the IRS 1040 is a valuable tool that the financial aid administrator can use methodically and carefully to insure the most equitable distribution of funds available.

There are many methods of comparing the information on the PCS with that on the income tax return. The following steps are suggested for comparing PCS information with the IRS 1040, including Schedules A and B.[9] It may be helpful here to refer to the Appendix, where IRS forms are cross-referenced with the PCS and FAF.

If there are differences between PCS-reported and IRS-reported information, it is suggested that the latter be entered appropriately on the PCS and notation made of the origin of any revisions.

IRS 1040, Page 1

1. The income figures are the most important items to review -- because of their importance to need analysis. The aid administrator can compare PCS items 16-19 with items 9-15 of the IRS 1040. Wording of these PCS items has been intentionally made to correspond with that of the IRS 1040 items. The IRS 1040 joint return does not distinguish between wages and salaries of the two parents, but it does show the spouse's occupation, which may provide a clue to any discrepancy in the income reported.

2. The amount of U.S. income tax paid can be checked by comparing PCS item 22 with IRS 1040 item 20. The aid administrator should also review the need analysis report to see whether alternate

calculations (noted by unusual condition codes A and C) were used in the analysis.

3. Although marital status does not show up clearly on the IRS 1040, it is worth comparing PCS Item 9 with Items 1-5 of the IRS 1040. The aid administrator may decide that in order to completely understand a student's situation it is necessary to request a PCS (or an IRS 1040) from the other parent when parents are separated or divorced.

4. Next in importance to income in need analysis, is the size of the parents' household. PCS Item 11 should correspond to Item 6f of the IRS 1040; and PCS Item 12 to Item 6d of the IRS 1040.

IRS 1040, page 2

5. For families that show any significant amount of "income other than wages, dividends and interest," a review of IRS 1040 Items 29-37 is warranted. It may be wise to request page 2 of IRS 1040 in such cases if it is not routinely required. If Items 29-37 do not clarify the picture, IRS Schedules C, D, E, and F can also be requested.

6. The aid administrator should pay particular attention to "adjustments to income" as reported in PCS Item 18 and IRS 1040 Items 14 (detailed in Part II of page 2) and 15b. In its need analysis services, the CSS reviews this item if it is greater than $500. The publication, CSS Need Analysis: Theory and Computation Procedures, gives details of allowable and nonallowable "adjustments to income." But the aid administrator may wish to pursue specific adjustments further. For example, employee business expenses that are higher than what might be expected in relation to the parents' occupation might require review of a copy of IRS Form 2106, Employee Business Expenses.

Schedule A

7. This schedule serves an important purpose in verifying a number of the allowances used in computing need, if those allowances do not seem to fit the normal pattern. The CSS need analysis manual states:

> The financial aid administrator must determine whether to accept or alter the CSS central treatment of allowances. It may be that an explanation provided by the parents is adequate, or other information may exist that would have a bearing on the family's circumstances. In such cases, the financial aid administrator should adjust the PCS entry appropriately and recalculate the need analysis report.[10]

The following allowances can be verified using Schedule A:

a. State and other taxes -- PCS Item 24 and Items 11-17 of Schedule A. Because the CSS makes a standard allowance for these taxes, based on total income, the aid administrator may want to make adjustments (up or down) on the basis of the IRS information.

b. Medical and dental expenses not covered by insurance --PCS Item 25 and Items 2 and 6 of Schedule A. The CSS need analysis procedures provide an allowance against income for medical and dental expenses in excess of 3 percent of total income. The need analysis report uses unusual condition code E to indicate that the medical and dental allowance affects the parents' contribution by $100 or more. Special attention should be devoted to these cases.

c. Casualty or theft losses -- PCS Item 26 and Items 25-29 of Schedule A. Unusual condition code F on the need analysis report alerts the aid administrator of the effect of these losses on the estimated parents' contribution. It may be necessary to determine whether the allowance is justified.

8. If there are questions about the reliability of the parents' estimate of the market value of the home or other real

estate (PCS Items 28 and 29), the real estate tax reported in Item 12 of Schedule A may help resolve the questions. Aid administrators, however, must have some knowledge of the particular community's property tax structure to make proper use of this information. In some cases, a call to city tax officials to learn about the property tax rate and the relation of valuation to resale value might prove helpful. Interest paid on home mortgages (Item 18 of Schedule A) is seldom helpful in verifying the unpaid mortgage principal (PCS Item 28) because families have many options in their method and rate of repayment.

9. Alimony paid (reported in Item 30 of Schedule A) may help identify unusual problems that parents may have in financing educational expenses.

Schedule B

10. Dividends and interest are reported on page 1 of the IRS 1040, and the figures reported on the PCS (Items 16b and 16c) can be verified using those data. However, if the income reported in the two categories does not seem reasonable in relation to the investments and savings reported in PCS Items 30 and 31, the aid administrator may wish to see Schedule B. Taking into account fluctuations in the stock market, an aid administrator can with some degree of accuracy determine a family's investment in certain listed stocks on the basis of the dividends. The listing of dividends in Schedule B, however, does not provide complete verifying data, and the aid administrator may want to investigate further. A number of aid administrators follow the practice of assigning asset value of 5 to 7 percent income from all savings accounts and investments. There is obviously the possibility of error in such assumptions, however.

Other Schedules and Forms

The aid administrator who finds it necessary to delve further into complicated financial situations may request other schedules to verify family financial circumstances:

- Schedule C -- gives details of business income or loss (IRS 1040, Item 29).
- Schedule D -- reports on capital gains and losses (IRS 1040 Item 30a).
- Schedule E -- reports on a variety of sources of supplemental income (pensions and annuities, rents and royalties, partnerships, estates, trusts, and small business corporations) (IRS 1040, Item 32a).
- Schedule F -- gives details concerning farm income or loss (IRS 1040, Item 32).
- Schedule G -- used for income averaging to determine tax liability in cases where there have been significant shifts in level of income over the previous five years.
- Schedule R and RP -- used to report on retirement income credit.
- Form 2106 -- employee business expenses.
- Form 2119 -- sale or exchange of personal residence.
- Form 4684 -- casualty and theft losses.
- Form 4797 -- supplemental schedule of gains and losses.

What to Do about Discrepancies

When there are discrepancies between the information provided on the Parents' Confidential Statement and that on the federal income tax return, the financial aid administrator must ask certain questions.

The first is whether the discrepancy is significant enough to affect the award materially. If the discrepancy is known before the financial aid award has been made, and if there appears to be no reason to question the IRS 1040 information, need should be calculated on the basis of the revised figures that result from the review of the tax return. But if discrepancies come to light after an award has been made, the problem is more delicate. If the discrepancy is in income alone, some aid administrators will disregard a difference of $1,000 or less at that time and plan on making an appropriate adjustment in the following year. If a number of factors lead to a recomputation and the resulting need differs by $100 or less, the award need not be altered. Experience will tell the aid administrator when it is worthwhile to bother recomputing on the basis of changes in figures on the original PCS.

Second, if a discrepancy is significant enough so that action is necessary, the question is whether the IRS data are more reliable than that provided on the PCS. It is generally assumed that IRS data are more reliable, especially when the PCS is filed prior to filing the tax return. But there are times when this may not be so. It is the responsibility of the aid administrator to confer with the parents on major discrepancies before taking action.

The principal rule in contacting parents should be: Do not assume that parents have intentionally misrepresented their financial situation on the PCS. A typical letter to the parents might follow these lines:

Dear Mr. and Mrs. Jones:

Thank you for sending us a copy of your IRS 1040 for 1976.

We have noted on the income tax return that your income from wages is listed as $15,300 although on the PCS you gave the figure as $13,600. Because you filed the PCS before you did the IRS 1040, we assume that you did not have all of the figures available to you at the time you completed the PCS. Before we review John's award, we would welcome confirmation of the higher 1976 income figure from you.

We hope to hear from you within the next two weeks.

Sincerely yours,

Other paragraphs that may be used are:

On the income tax form you have listed $250 in interest and $300 in dividends received in 1976, compared with $50 and $100 respectively on the Parents' Confidential Statement. The tax report figures would indicate more investments and savings than shown on the PCS. Before we review John's award in the light of this new information, we would appreciate your confirming the IRS figures and indicating the nature of the investments and the savings accounts that produced this income.

or:

On the Parents' Confidential Statement you reported in Item 12 that the total number of persons in your household (parents, dependent children, and other dependents) was seven in 1976, but on the IRS 1040 you show six exemptions. Before we review the award we made to John, we would appreciate your explanation of this difference.

The third question the aid administrator must ask, when reasonably certain of discrepancies that are large enough to affect the amount of an award already announced, is how to change that award. As previously indicated, small discrepancies may be ignored in the current year, and subsequent applications reviewed more carefully. If the aid administrator is convinced that no deceit or deliberate misrepresentation is involved, larger

discrepancies will lead to a recomputation of need and the packaging of an award as it would have been packaged had the correct information been available initially. Occasionally it may seem wise not to change the award for the current year, but to notify the family that any future awards may not only be based on the correct information but be reduced by the "overage" in the previous award.

When deceit and misrepresentation are evident, the aid administrator is justified in withdrawing all financial aid proffered or in meeting the recalculated need with self-help assistance only. However, there is often reluctance to penalize the student in this way. The dilemma is not an easy one to resolve, but one that calls on the aid administrator to exercise careful professional judgment.

This paper has assumed throughout that any discrepancies in information contained in the PCS and IRS 1040 would result in an "overaward." Although this is true in many cases, the aid administrator should also be alert to differences in data that would lead to an "underaward." When a PCS shows greater income for a given year than the IRS 1040, parents should be asked the reason, and aid awards should be increased appropriately if the lower income is correct.

What to Do When Income Tax Returns Are Not Submitted

Methods of verifying incomes of families who do not file tax returns because their income is too low were suggested earlier. But what does one do about the family that refuses to submit a copy of its tax return or an authorization for the institution to obtain a copy of the return directly from the IRS?

It may be that families who refuse to submit tax returns do so because they realize the tax information is different from that provided in the PCS. However, Van Dusen introduces a word of caution in making any assumptions:

> If the aid administrator were sure that refusal to release tax information represented fraud or incorrect reporting of the original data, then it might be appropriate to "visit the sins of the father on the child," but there are many "valid" reasons why tax releases may not be available. The aid application process is a lengthy and complicated one, and the requirement of yet another form may be enough to cause even the scrupulously honest parent to refuse simply from overrun on the process. In many cases, the original financial data were provided honestly, but unwillingly, by the parent -- and another request may be impossible for the student to get the parent to fulfill. In some cases the parents may not have filed tax returns (correctly or incorrectly) and may be unwilling to advertise the fact to the tax agencies through submitting a release for nonexistent information.[11]

Out of fairness to those who do supply copies of their tax returns for verification purposes, aid administrators should be consistent in their approach to those who refuse to do so. It should be clear that the burden of proof is on the parents and student.

Some institutions follow a policy of not awarding any aid unless need analysis data can be verified by tax returns or from other sources. If this is the case, literature accompanying financial aid application material should make it clear that verification by income tax returns is an integral part of the award process.

Summary and Conclusions

This booklet should not leave the impression that there is widespread deception by PCS filers. Nevertheless, some families

do file purposely misleading information; others file aid applications before they know exactly what their year-end financial situation will be; and others make errors in assembling the necessary information. Responsible financial aid administrators will use professional judgment in assessing the reliability of the information provided in order that the federal and institutional funds committed to their stewardship are put to the best possible use.

There are many ways to verify the information provided on the PCS, but by far the most effective means is the use of federal income tax returns. Families of aid applicants may be required to submit such returns (or to authorize the institution to obtain them directly) as a part of the application process. Families who are not required to file tax returns because of their income level can be required to submit other forms of verification. If submission of copies of income tax returns is required of all aid applicants, families who refuse to comply should not receive aid consideration.

It cannot be assumed that discrepancies between PCS and IRS 1040 information are the result of any attempt to deceive. An opportunity should be given to the family to explain such discrepancies before action is taken to adjust previously offered financial aid. Reductions in aid are in order if more reliable information reduces need by $100 or more. Likewise, aid administrators should be alert to providing more aid if families have either overstated or understated their income or expenses when filing the PCS.

Verifying PCS information from income tax returns serves a dual purpose: prevention and correction. The explicit advance announcement that tax returns will be required of each aid recipient

can act as a deterrent to the reporting of misleading or incorrect information. And the careful review of tax returns will enable aid administrators to correct errors that are made, unintentionally or otherwise.

Finally, it should be said again that the practice of requiring verification by income tax returns is generally highly regarded -- by families who are concerned about being equitably considered for aid, by alumni and others who provide support to the institution and who have an interest in the proper use of resources, and by the state and federal governments and by donors of financial aid who want assurance that their funds are being used to the best advantage.

Appendix

Correspondence of Information Collected in IRS and CSS Forms

Item Description	PCS Item (Parents)	FAF Item (Parents)	FAF Item (Student)	IRS 1040 Item	IRS 1040A Item
Marital status	9	32	7	1-5	1-5
Number of exemptions	11	34	62	6f	6f
Number in household	12	35	63	6d	6d
Income from wages, etc.	16A	14A	41,42	9	9
Dividends	16B	14B		10c	10c
Interest	16C	14C	--43	11	11
Other taxable income	16D	14D		12	--
Adjustments to income	18	16	--	14,15b	--
Adjusted gross income	19	17	44	15c	12
U.S. income tax	22	20	52	20	19
Itemized deductions	23	21	--	Schedule A, 40	--
State and other taxes	24	--	--	A, 17	--
Medical and dental expenses	25	22	53	A, 2,6	--
Casualty and theft losses	26	23	54	A, 29	--
Other unusual expenses	Detail of 27	--	--	Detail of A, 30-33	--

IRS Form 1040, Page 1

Form **1040** Department of the Treasury—Internal Revenue Service **U.S. Individual Income Tax Return** **1976**

This space for IRS use only

For the year January 1–December 31, 1976, or other taxable year beginning 1976 ending , 19

Please print or type

Name (If joint return, give first names and initials of both) | Last name | Your social security number

Present home address (Number and street, including apartment number, or rural route) | For Privacy Act Notification, see page 5 of instructions. | Spouse's social security no.

City, town or post office, State and ZIP code | Occupation: Yours ▶ Spouse's ▶

Filing Status

1 ☐ Single (Check only ONE box)
2 ☐ Married filing joint return (even if only one had income)
3 ☐ Married filing separately. If spouse is also filing give spouse's social security number in designated space above and enter full name here ▶
4 ☐ Unmarried Head of Household. See page 7 of instructions to see if you qualify ▶
5 ☐ Qualifying widow(er) with dependent child (Year spouse died ▶ 19). See page 7 of instructions.

Exemptions

6a Regular ☐ Yourself ☐ Spouse Enter number of boxes checked ▶
b First names of your dependent children who lived with you Enter number ▶
c Number of other dependents (from line 7) ▶
d Total (add lines 6a, b, and c) ▶
e Age 65 or older. ☐ Yourself ☐ Spouse Blind. ☐ Yourself ☐ Spouse Enter number of boxes checked ▶
f TOTAL (add lines 6d and e) ▶

7 Other dependents:

(a) Name	(b) Relationship	(c) Months lived in your home. If born or died during year, write B or D.	(d) Did dependent have income of $750 or more?	(e) Amount furnished for dependent's support: By YOU. If 100% write ALL.	By OTHERS including dependent.
				$	$

8 **Presidential Election Campaign Fund** ▶ Do you wish to designate $1 of your taxes for this fund? Yes ☐ No ☐ If joint return, does your spouse wish to designate $1? Yes ☐ No ☐ Note: If you check the "Yes" box(es) it will not increase your tax or reduce your refund.

Please attach Copy B of Forms W-2 here

Income

9	Wages, salaries, tips, and other employee compensation (Attach Forms W-2. If unavailable, see page 6 of instructions.)	9	
10a	Dividends (See pages 9 and 10 of instructions) ..... 10b less exclusion ..... Balance ▶ (If gross dividends and other distributions are over $400, list in Part I of Schedule B.)	10c	
11	Interest income. (If $400 or less, enter total without listing in Schedule B. If over $400, enter total and list in Part II of Schedule B.)	11	
12	Income other than wages, dividends, and interest (from line 37)	12	
13	Total (add lines 9, 10c, 11 and 12)	13	
14	Adjustments to income (such as moving expense, etc. from line 42)	14	
15a	Subtract line 14 from line 13	15a	
b	Disability income exclusion (sick pay) (attach Form 2440)	15b	
c	Adjusted gross income. Subtract line 15b from line 15a, then complete Part III on back. (If less than $8,000, see page 2 of instructions on "Earned Income Credit.")	15c	

Tax, Payments and Credits

16 Tax, check if from: ☐ Tax Table ☐ Tax Rate Schedule X, Y or Z ☐ Schedule D ☐ Schedule G ☐ Form 2555 OR ☐ Form 4726 — 16

17a	Multiply $35.00 by the number of exemptions on line 6d	17a	Enter larger of a or b	(If box on line 3 is checked see page 10 of instructions) 17c
b	Enter 2% of line 47 but not more than $180 ($90 if box 3 is checked)	17b		
18	Balance. Subtract line 17c from line 16 and enter difference (but not less than zero)			18
19	Credits (from line 54)			19
20	Balance. Subtract line 19 from line 18 and enter difference (but not less than zero)			20
21	Other taxes (from line 62)			21
22	Total (add lines 20 and 21)			22
23a	Total Federal income tax withheld. (attach Forms W-2, W-2P to front)	23a		
b	1976 estimated tax payments (Include amount allowed as credit from 1975 return)	23b		
c	Earned income credit. (See page 2 of instructions)	23c		
d	Amount paid with Form 4868	23d		
e	Other payments (from line 66)	23e		
24	TOTAL (add lines 23a through e)			24

Pay amount on line 25 in full with this return. Write social security number on check or money order and make payable to Internal Revenue Service.

Please attach Check or Money Order here

Due or Refund

25	If line 22 is larger than line 24, enter BALANCE DUE IRS (Check here ▶ ☐, If Form 2210 or Form 2210F is attached. See page 10 of instructions.)		25
26	If line 24 is larger than line 22, enter amount OVERPAID		26
27	Amount of line 26 to be REFUNDED TO YOU		27
28	Amount of line 26 to be credited on 1977 estimated tax ▶ 28		

Sign here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature Date | Preparer's signature (and employer's name, if any) Date

Spouse's signature (if filing jointly, BOTH must sign even if only one had income) | Identifying number (see instructions) | Address (and ZIP code)

IRS Form 1040, Page 2

Form 1040 (1976) Page 2

Part I Income other than Wages, Dividends and Interest

29	Business income or (loss) (attach Schedule C)	29		
30a	Net gain or (loss) from sale or exchange of capital assets (attach Schedule D)	30a		
b	50% of capital gain distributions (not reported on Schedule D—see page 10 of Instructions)	30b		
31	Net gain or (loss) from Supplemental Schedule of Gains and Losses (attach Form 4797)	31		
32a	Pensions, annuities, rents, royalties, partnerships, estates or trusts, etc. (attach Schedule E)	32a		
b	Fully taxable pensions and annuities (not reported on Schedule E—see page 10 of Instructions)	32b		
33	Farm income or (loss) (attach Schedule F)	33		
34	State income tax refunds (does not apply if refund is for year in which you took the standard deduction—others see page 10 of Instructions)	34		
35	Alimony received	35		
36	Other (state nature and source—see page 11 of Instructions) ▶	36		
37	Total (add lines 29 through 36). Enter here and on line 12 ▶	37		

Part II Adjustments to Income

38	Moving expense (attach Form 3903)	38		
39	Employee business expense (attach Form 2106)	39		
40a	Payments to an individual retirement arrangement from attached Form 5329, Part III	40a		
b	Payments to a Keogh (H.R. 10) retirement plan	40b		
41	Forfeited interest penalty for premature withdrawal (see page 12 of Instructions)	41		
42	Total (add lines 38 through 41). Enter here and on line 14 ▶	42		

Part III Tax Computation

43	Adjusted gross income (from line 15c). If you have unearned income and can be claimed as a dependent on your parent's return, check here ▶ ☐ and see page 9 of Instructions	43		
44a	If you itemize deductions, check here ▶ ☐, and enter total from Schedule A, line 40, and attach Schedule A			
b	Standard deduction—If you do not itemize deductions, check here ▶ ☐, and:			
	If you checked the box on line ... 2 or 5, enter the greater of $2,100 OR 16% of line 43—but not more than $2,800			
	1 or 4, enter the greater of $1,700 OR 16% of line 43—but not more than $2,400	44		
	3, enter the greater of $1,050 OR 16% of line 43—but not more than $1,400			
45	Subtract line 44 from line 43 and enter difference (but not less than zero)	45		
46	Multiply total number of exemptions claimed on line 6f by $750	46		
47	Taxable income. Subtract line 46 from line 45 and enter difference (but not less than zero)	47		

- If line 47 is $20,000 or less and you did not average your income on Schedule G, or figure your tax on Form 2555, Exemption of Income Earned Abroad, find your tax in Tax Table. Enter tax on line 16 and check appropriate box.
- If line 47 is more than $20,000, figure your tax on the amount on line 47 by using Tax Rate Schedule X, Y, Z, or if applicable, the alternative tax from Schedule D, income averaging from Schedule G, tax from Form 2555 or maximum tax from Form 4726. Enter tax on line 16 and check appropriate box.

Part IV Credits

48	Credit for the elderly (attach Schedules R & RP)	48		
49	Credit for child care expenses (attach Form 2441)	49		
50	Investment credit (attach Form 3468)	50		
51	Foreign tax credit (attach Form 1116)	51		
52	Contributions to candidates for public office credit (see page 12 of Instructions)	52		
53	Work Incentive (WIN) Credit (attach Form 4874)	53		
54	Total (add lines 48 through 53). Enter here and on line 19 ▶	54		

Part V Other Taxes

55	Tax from recomputing prior-year investment credit (attach Form 4255)	55		
56	Minimum tax. Check here ▶ ☐, and attach Form 4625	56		
57	Tax on premature distributions from attached Form 5329, Part V	57		
58	Self-employment tax (attach Schedule SE)	58		
59	Social security tax on tip income not reported to employer (attach Form 4137)	59		
60	Uncollected employee social security tax on tips (from Forms W-2)	60		
61	Excess contribution tax from attached Form 5329, Part IV	61		
62	Total (add lines 55 through 61). Enter here and on line 21 ▶	62		

Part VI Other Payments

63	Excess FICA, RRTA, or FICA/RRTA tax withheld (two or more employers—see page 13 of Instructions)	63		
64	Credit for Federal tax on special fuels, nonhighway gasoline and lubricating oil (attach Form 4136)	64		
65	Credit from a Regulated Investment Company (attach Form 2439)	65		
66	Total (add lines 63 through 65). Enter here and on line 23a ▶	66		

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IRS Form 1040, Schedule A

Schedules A&B—Itemized Deductions AND Dividend and Interest Income

(Form 1040)

Department of the Treasury
Internal Revenue Service

▶ Attach to Form 1040. ▶ See instructions for Schedules A and B (Form 1040).

1976

Name(s) as shown on Form 1040 | Your social security number

Schedule A—Itemized Deductions (Schedule B on back)

Medical and Dental Expenses (not compensated by insurance or otherwise) (See page 13 of Instructions.)

1 One half (but not more than $150) of insurance premiums for medical care. (Be sure to include in line 10 below)
2 Medicine and drugs
3 Enter 1% of line 15c, Form 1040
4 Subtract line 3 from line 2. Enter difference (If less than zero, enter zero)
5 Enter balance of insurance premiums for medical care not entered on line 1
6 Enter other medical and dental expenses:
a Doctors, dentists, nurses, etc.
b Hospitals
c Other (Itemize—include hearing aids, dentures, eyeglasses, transportation, etc.) ▶
7 Total (add lines 4 through 6c)
8 Enter 3% of line 15c, Form 1040
9 Subtract line 8 from line 7 (If less than zero, enter zero)
10 Total (add lines 1 and 9). Enter here and on line 34 ▶

Taxes (See page 13 of Instructions.)

11 State and local income
12 Real estate
13 State and local gasoline (see gas tax tables)
14 General sales (see sales tax tables)
15 Personal property
16 Other (Itemize) ▶
17 Total (add lines 11 through 16). Enter here and on line 35 ▶

Interest Expense (See page 14 of Instructions.)

18 Home mortgage
19 Other (Itemize) ▶
20 Total (add lines 18 and 19). Enter here and on line 36 ▶

Contributions (See page 15 of Instructions for examples.)

21 a Cash contributions for which you have receipts, cancelled checks or other written evidence
b Other cash contributions. List donees and amounts. ▶
22 Other than cash (see page 15 of instructions for required statement)
23 Carryover from prior years
24 Total contributions (add lines 21a through 23). Enter here and on line 37 ▶

Casualty or Theft Loss(es) (See page 15 of Instructions.)
Note: *If you had more than one loss, omit lines 25 through 28 and see page 15 of Instructions for guidance.*

25 Loss before insurance reimbursement
26 Insurance reimbursement
27 Subtract line 26 from line 25. Enter difference (If less than zero, enter zero)
28 Enter $100 or amount on line 27, whichever is smaller
29 Casualty or theft loss (subtract line 28 from line 27). Enter here and on line 38 ▶

Miscellaneous Deductions (See page 15 of Instructions.)

30 Alimony paid
31 Union dues
32 Other (Itemize) ▶
33 Total (add lines 30 through 32). Enter here and on line 39 ▶

Summary of Itemized Deductions **A**

34 Total medical and dental—line 10
35 Total taxes—line 17
36 Total interest—line 20
37 Total contributions—line 24
38 Casualty or theft loss(es)—line 29
39 Total miscellaneous—line 33
40 Total deductions (add lines 34 through 39). Enter here and on Form 1040, line 44 ▶

IRS Form 1040, Schedule B

Schedules A&B (Form 1040) 1976 **Schedule B—Dividend and Interest Income** Page 2

Name(s) as shown on Form 1040 (Do not enter name and social security number if shown on other side) | Your social security number

Part I Dividend Income

Note: *If gross dividends (including capital gain distributions) and other distributions on stock are $400 or less, do not complete this part. But enter gross dividends less the sum of capital gain distributions and non-taxable distributions, if any, on Form 1040, line 10a (see note below).*

1 Gross dividends (including capital gain distributions) and other distributions on stock. (List payers and amounts—write (H), (W), (J), for stock held by husband, wife, or jointly)

2 Total of line 1 . . . . . .

3 Capital gain distributions (see page 16 of instructions. Enter here and on Schedule D, line 7). See note below

4 Nontaxable distributions (see page 16 of instructions) . . . .

5 Total (add lines 3 and 4) . . . . .

6 Dividends before exclusion (subtract line 5 from line 2). Enter here and on Form 1040, line 10a . . . . . .

Part II Interest Income

Note: *If interest is $400 or less, do not complete this part. But enter amount of interest received on Form 1040, line 11.*

7 Interest includes earnings from savings and loan associations, mutual savings banks, cooperative banks, and credit unions as well as interest on bank deposits, bonds, tax refunds, etc. Interest also includes original issue discount on bonds and other evidences of indebtedness (see page 16 of instructions). (List payers and amounts)

8 Total interest income. Enter here and on Form 1040, line 11 . . . . . .

Note: *If you received capital gain distributions and do not need Schedule D to report any other gains or losses or to compute the alternative tax, do not file that schedule. Instead, enter 50 percent of capital gain distributions on Form 1040, line 30b.*

B

Part III Foreign Accounts and Foreign Trusts

1 Did you, at any time during the taxable year, have any interest in or signature or other authority over a bank, securities, or other financial account in a foreign country (except in a U.S. military banking facility operated by a U.S. financial institution)? . . . . . ☐ Yes ☐ No

If "Yes," attach Form 4683 (For definitions, see Form 4683.)

2 Were you the grantor of, or transferor to, a foreign trust during any taxable year, which foreign trust was in being during the current taxable year, whether or not you have any beneficial interest in such trust? . . . . . ☐ Yes ☐ No

If "Yes," attach Form 4683 (For definitions, see Form 4683.)

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Footnotes

1. James L. Bowman, Joan A. Ali, and Joan Z. Rojo, Accuracy of Parents' Taxable Income Reports for the 1974-75 Processing Year: An Analysis of Reports to the CSS and IRS. New York: College Scholarship Service, College Entrance Examination Board, 1976. Also see James L. Bowman, Accuracy of Parents' Taxable Income Reports for 1972-73 Processing Year: An Analysis of Reports to the CSS and IRS. New York: College Scholarship Service, College Entrance Examination Board, 1974; and James L. Bowman and William D. Van Dusen, Accuracy of Parents Taxable Income Reports for the 1973-74 Processing Year: An Analysis of Reports to the CSS and IRS. New York: College Scholarship Service, College Entrance Examination Board, 1975.

2. Sylvia I. Diegnau, "Stretching Your Financial Aid Dollars: Another Look at Income Verification." Journal of Student Financial Aid, Vol. V, No. 3, November 1975, pp. 3-14.

3. Ibid., p. 10.

4. National Task Force on Student Aid Problems, Final Report, 1975, pp. 24-25.

5. All references in this section are to the 1976 U.S. Individual Income Tax Return and the Parents' Confidential Statement, 1977-78 Academic Year.

6. Joan A. Ali, Income Verification: A Study of the Reliability of a CSS Verification Form. Princeton, N.J.: College Scholarship Service, 1977.

7. Thomas A. Rutter and Natala Wickstrom, "The Use of Income Tax Returns in the Needs Analysis Procedure." Journal of Student Financial Aid, Vol. VI, No. 1, February 1976, pp. 15-19.

8. Bowman et al., op. cit.

9. All references are to the 1976 U.S. Individual Income Tax Return, including Schedules A and B, and the Parents' Confidential Statement, 1977-78 Academic Year.

10. CSS Need Analysis: Theory and Computation Procedures for the 1977-78 PCS and FAF. New York: College Entrance Examination Board, 1976, p. 19.

11. William D. Van Dusen, Income Verification: A Report to the Committee on Need Assessment Procedures. New York: College Scholarship Service, College Entrance Examination Board, 1976.